

1997 Tax on Accumulation Distribution of Trusts

5870A

Attach to beneficiary's tax return.

Name(s) as shown on your return

Social security number

Name and address of trust

Federal employer identification no. (FEIN)

Beneficiary's date of birth

Month

Day

Year

Enter number of trusts from which you received accumulation distributions in this tax year

Part I Tax on Accumulation Distribution under IRC Section 667.**Section A — Average Income and Determination of Computation Years**

1	Amount of current distribution that is considered distributed in earlier years from Schedule J (541), line 30, column (a)	1	
2	Distributions of income accumulated before you were born or reached age 21	2	
3	Subtract line 2 from line 1	3	
4	Taxes imposed on the trust on amounts from line 3 from Schedule J (541), line 30, column (b)	4	
5	Total. Add line 3 and line 4	5	
6	Tax-exempt interest included on line 5 from Schedule J (541), line 30, column (c)	6	
7	Taxable part of line 5. Subtract line 6 from line 5	7	
8	Number of trust's earlier years in which amounts on line 7 are considered distributed	8	
9	Average annual amount considered distributed. Divide line 3 by line 8	9	
10	Multiply line 9 by 25% (.25)	10	
11	Number of trust's earlier tax years to be taken into account. See Specific Line Instructions	11	
12	Average amount for recomputing tax. Divide line 7 by line 11. Enter here and in each column on line 15 below	12	
13	Enter your taxable income before this distribution for the 5 immediately preceding years:		
	1996	1995	1994
	1993	1992	

Section B — Tax Attributable to the Accumulation Distribution

	(a) 19____	(b) 19____	(c) 19____
14	Enter the amounts and the years from line 13, eliminating the highest and lowest taxable income years		
15	Enter amount from line 12 in each column		
16	Recomputed taxable income. Add line 14 and line 15		
17	Tax on amounts on line 16		
18	Tax before credits on line 14 income.		
19	Additional tax before credits. Subtract line 18 from line 17.		
20	Tax credit adjustment. Attach schedule.		
21	Subtract line 20 from line 19. See Specific Line Instructions		
22	Alternative minimum tax adjustments		
23	Combine line 21 and line 22		
24	Add line 23, column (a) through column (c)	24	
25	Divide the amount on line 24 by 3	25	
26	Multiply the amount on line 25 by the number of years on line 11	26	
27	Enter the amount from line 4	27	
28	Partial tax. Subtract line 27 from line 26. If line 27 is more than line 26, enter -0-. See Specific Line Instructions	28	

Part II Tax on Accumulation Distribution under R&TC Section 17745 (b) and (d):

- If the income was accumulated over a period of 5 years or more, complete Section A.
- If the income was accumulated over a period of 4 years or less, complete Section B.

Section A — See instructions.

- 1 Income accumulated over 5 years or more 1 _____
- 2 Divide line 1 by 6. Enter here and on Schedule CA (540 or 540NR), line 21f, column C. 2 _____

	(a) 1996	(b) 1995	(c) 1994	(d) 1993	(e) 1992
3 Were you a resident or part-year resident? Enter "Yes" or "No" for each year	3				
4 Enter your taxable income before this distribution for the 5 immediately preceding years.	4				
5 Enter the amount from line 2 in column (a) through column (e)	5				
6 Recomputed taxable income. Add line 4 and line 5.	6				
7 Tax on amounts on line 6.	7				
8 Tax before credits on line 4 income	8				
9 Additional tax before credits. Subtract line 8 from line 7	9				
10 Tax credit adjustment. Attach schedule.	10				
11 Subtract line 10 from line 9. See Specific Line Instructions	11				
12 Alternative minimum tax adjustments	12				
13 Add line 11 and line 12	13				
14 Add line 13, column (a) through column (e) for all years that you entered "Yes" on line 3. Enter here and on Form 540, line 23; Form 540NR, line 26; or Form 541, line 21b. See Specific Line Instructions					14

Section B — See instructions.

- 1 Income accumulated over 4 years or less 1 _____
- 2 Averaging factor:
- a Enter the number of years the trust accumulated the amount on line 1 2a _____
- b Distribution year. 2b 1
- 3 Add line 2a and line 2b 3 _____
- 4 Divide line 1 by line 3. Enter here and on Schedule CA (540 or 540NR), line 21f, column C 4 _____

	(a) 1996	(b) 1995	(c) 1994	(d) 1993
5 Were you a resident or part-year resident? Enter "Yes" or "No" for each year	5			
6 Enter your taxable income before this distribution for the number of preceding years entered on line 2a. See Specific Line Instructions	6			
7 Enter the amount from line 4 in column (a) through column (d)	7			
8 Recomputed taxable income. Add line 6 and line 7.	8			
9 Tax on amounts on line 8.	9			
10 Tax before credits on line 6 income	10			
11 Additional tax before credits. Subtract line 10 from line 9	11			
12 Tax credit adjustment. Attach schedule.	12			
13 Subtract line 12 from line 11. See Specific Line Instructions	13			
14 Alternative minimum tax adjustments	14			
15 Add line 13 and line 14	15			
16 Add line 15, column (a) through column (d) for all years that you entered "Yes" on line 5. Enter here and on Form 540, line 23; Form 540NR, line 26; or Form 541, line 21b. See Specific Line Instructions				16



Instructions for Form FTB 5870A

Tax on Accumulation Distribution of Trusts

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1997**, and to the California Revenue & Taxation Code (R&TC).

General Information

Due to California legislation enacted in 1997, California tax law conforms to the Internal Revenue Code as of January 1, 1997, and to selected provisions of the federal Taxpayer Relief Act of 1997 (Public Law 105-34).

California **did not** conform to provisions of the Taxpayer Relief Act of 1997 that repealed the throwback rules for distributions made by certain domestic trusts in tax years beginning after August 5, 1997. See the instructions for Form 541 for more information.

Purpose

Use form FTB 5870A to figure the additional tax under IRC Section 667 or R&TC Sections 17745(b) and (d) on an accumulation distribution made by a trust in the current year.

If you were a noncontingent beneficiary and you received Schedule J (541), Trust Allocation of an Accumulation Distribution, and the trust filed Form 541, California Fiduciary Income Tax Return, and paid the tax, you must compute your additional tax under the provisions of IRC Section 667. Complete Part I of form FTB 5870A to determine the amount of the tax due.

If you were a contingent beneficiary and you did not receive Schedule J (541) because the trust was not required to file Form 541, you must compute your additional tax under the provisions of R&TC Sections 17745(b) and (d). Complete Part II, Section A or Section B, of form FTB 5870A to determine the amount of additional tax due.

Do not use form FTB 5870A if you were a noncontingent beneficiary and you received an accumulation distribution, but you did not receive Schedule J (541) because the trust did not file Form 541 or pay the required California tax due. The entire trust accumulation income is taxable to you in the year that you receive the distribution, and should be reported on Schedule CA (540), California Adjustments – Residents, or Schedule CA (540NR), California Adjustments – Nonresidents or Part-Year Residents, line 21f, column C. See R&TC Section 17745(a).

California does not follow the federal rules for:

- Foreign trusts as defined in IRC Section 679;
- Generation-skipping transfer tax imposed by IRC Section 2601; and
- The tax relating to estates imposed by IRC Sections 2001 or 2101.

Except as explained above, get and follow the instructions for federal Form 4970, Tax on Accumulation Distribution of Trusts, to compute the partial tax.

Nonresidents or part-year residents in preceding 5 years: For any year you were a nonresident or part-year resident in the accumulation years listed in Part I, Section B, skip line 14 through line 22. Complete a Form 540NR, California Nonresident or Part-Year Resident Income Tax Return up to line 46, total tax. Make your adjustments on the accumulation years listed, eliminating the highest and lowest taxable

income years. Include in the total adjusted gross income for Form 540NR the amount from form FTB 5870A, line 12, plus all other income of the beneficiary as if the beneficiary was a California resident for the entire year.

If you were a California resident at the trust's year end, include the amount from form FTB 5870A, line 12, in the California adjusted gross income amount on the Form 540NR, line 20. If you were a nonresident at the trust's year end, include the California source income amount from form FTB 5870A, line 12 in the California adjusted gross income amount on Form 540NR, line 20. You may need to contact the trust for additional information regarding sourced income. In either instance, include all other income of the beneficiary from periods of California residency and all other California source income from periods of nonresidency.

Enter the amount from Form 540NR, line 46 on form FTB 5870A, line 23. Follow the instructions for completing the rest of form FTB 5870A.

Specific Line Instructions

Part I

Line 1 – Enter the amount distributed in the current year that represents the undistributed net income of a trust considered to have been distributed in earlier years.

Line 2 – Enter any amount on line 1 that represents undistributed net income (UNI) of a trust considered to have been accumulated before you were born or reached age 21. However, if the multiple trust rule applies, see the instructions for line 4.

Line 4 – Except as noted below under **Special Rule for Multiple Trusts**, enter on line 4 the California taxes (not including any alternative minimum tax) charged for any earlier year on the trust that are attributable (under IRC Sections 666(b) and (c)) to the net income reported on line 3.

Special Rule for Multiple Trusts. If you received accumulation distributions from two or more other trusts that were considered to have been made in any of the earlier tax years from which the current accumulation distribution is considered to have been made, do not include on line 4 the taxes attributable to the current accumulation distribution considered to have been distributed in the same earlier tax year(s).

This special rule applies only to those trusts with accumulation distributions (including earlier accumulation distributions that are considered under IRC Section 666(a) to have been distributed in the same earlier year) that total \$1,000 or more.

Line 8 – You can determine the number of years which the UNI is deemed to have been distributed by counting the “throwback years” for which there are entries on line 26 through line 29 of Part IV of Schedule J (Form 541). These throwback rules apply even if you would not have been entitled to receive a distribution in the earlier tax year if the distribution had actually been

made then. **Note:** There can be more than four “throwback years.”

Line 11 – From the number of years entered on line 8, subtract any year in which the distribution from column (a), Part IV of Schedule J (Form 541) is less than the amount on line 10 of form FTB 5870A. If the distribution for each throwback year is more than line 10, then enter the same number on line 11 as you entered on line 8.

Line 13 – Enter your taxable income for years 1992-1996, even if the trust had accumulated income less than five years after the beneficiary became 21 years old. Use the taxable income as originally reported, amended, or as changed by the Franchise Tax Board (FTB). Include in the taxable income, amounts considered distributed as a result of prior accumulation distributions whether from the same or another trust, and whether made in an earlier year or the current year.

For years 1992 through 1996, enter the amount of your taxable income, but not less than zero.

Line 17 – Compute the tax (not including any alternative minimum tax) on the income on line 16 using the tax rates in effect for the earlier year shown in each of the three columns. Get the California tax tables which are included in the instruction booklets and earlier year forms from the FTB. Call FTB's F.A.S.T. toll-free phone service at 1-800-338-0505 (within the United States) or 1-916-845-6600 (from outside the United States (not toll-free)) to order the instruction booklets and forms for tax years 1994, 1995, 1996 and 1997. To place an order, select Personal Income Tax Forms Request and follow the recorded instructions.

If you have Internet access, you may download, view and print California income tax forms and publications. Our Internet address is:

<http://www.ftb.ca.gov>

Line 18 – Enter your tax (not including any alternative minimum tax) as originally reported, amended or as changed by the FTB before reduction for any credits for the particular earlier year shown in each of the three columns.

Line 20 – Include on line 20 only the net change in nonrefundable credits, such as exemption credit, etc. For example, to the extent the tax on line 18 is less than the allowable exemption credit, only the excess exemption credit is to be included on line 20.

Line 21 – If the net change results in a decrease in allowable credits, add line 20 and line 19.

Line 22 – Complete and attach a separate Schedule P (100, 540, 540NR or 541) to recompute the alternative minimum tax for each earlier year and show any change in those taxes in the bottom margin of the forms. Enter the adjustments on line 22.

Line 28 – Individuals – Enter the amount from line 28 on Form 540, line 23; or Form 540NR, line 26. Check the “FTB 5870A” box on the applicable line of each form.

Estates and trusts – Include the amount from line 28 on Form 541, line 21b. Write “FTB 5870A” on that line.

Other filers – Add the amount on line 28 to the total tax liability before credits on your tax return for the year of the accumulation distribution. Attach form FTB 5870A to the back of your return.

Part II

If you were a contingent beneficiary and the trust was not required to file Form 541 because your interest was contingent, you will not receive a Schedule J (541). Therefore, you may be required to contact the trustee to determine any required information that has not been provided to you. Before you can complete form FTB 5870A, you will need to know the:

- Total number of years that the trust income was accumulated; and
- Total amount of the accumulation distribution.

If the total number of years that the trust income was accumulated is 5 or more, complete Section A to determine your tax due.

If the total number of years that the trust income was accumulated is 4 or less, complete Section B to determine your tax due.

Section A

Complete this section to compute your additional tax due on a trust distribution accumulated over a period of 5 years or more. If the accumulation period was 4 years or less, skip this section and complete Section B.

Line 1 – Enter the amount of your accumulation distribution.

Line 2 – Enter the amount from line 2 on Schedule CA (540 or 540NR), line 21f, column C. This is the amount to be included in the current year. The balance of this schedule will be used to compute the tax on the portion of the distribution attributable to prior years.

Line 3 – Enter “Yes” in each column for the years that you were either a California resident or part-year resident. Enter “No” for the years that you were a nonresident.

Line 4 – Enter your taxable income from years 1992 through 1996. Use the taxable income as originally reported, amended or as changed by the FTB.

Line 7 – Compute the tax (not including any alternative minimum tax) on the income on line 6 using the tax rates in effect for the earlier year shown in each of the five columns. Get the California tax tables which are included in the instruction booklets and earlier year forms from the FTB. Call FTB’s F.A.S.T. toll-free phone service at 1-800-338-0505 (within the United States) or 1-916-845-6600 (from outside the United States (not toll-free)) to order the instruction booklets and forms for tax years 1994, 1995, 1996 and 1997. To place an order, select Personal Income Tax Forms Request and follow the recorded instructions.

If you have Internet access, you may download, view and print California income tax forms and publications. Our Internet address is:

<http://www.ftb.ca.gov>

Line 8 – Enter your tax (not including any alternative minimum tax) as originally reported, amended or as changed by the FTB before reduction for any credits for the particular earlier year shown in each of the five columns.

Line 10 – Include on line 10 only the net change in nonrefundable credits, such as exemption credit, etc. For example, to the extent the tax on line 8 is less than the allowable exemption credit, only the excess exemption credit is included on line 10.

Line 11 – If the net change results in a decrease in allowable credits, add line 9 and line 10.

Line 12 – Complete and attach a separate Schedule P (100, 540, 540NR or 541) to recompute the alternative minimum tax for each earlier year and show any change in those taxes in the bottom margin of the forms. Enter the adjustments on line 12.

Line 14 – Add line 13, column (a) through column (e) for all years that you entered “Yes” on line 3. Do not include any amounts for any year that you entered “No.”

Individuals – Enter the amount from line 14 on Form 540, line 23; or Form 540NR, line 26. Check the “FTB 5870A” box on the applicable line of each form.

Estates and trusts – Enter the amount from line 14 on Form 541, line 21b. Write “FTB 5870A” on that line.

Other filers – Add the amount on line 14 to the total tax liability before credits on your tax return for the year of the accumulation distribution. Attach form FTB 5870A to the back of your return.

Section B

Complete this section to compute your additional tax due on a trust distribution accumulated over a period of 4 years or less. If the accumulation period was 5 years or more, do not complete this section, complete Section A.

Complete the entries for all columns corresponding to the number of years entered on line 2a. If the number entered on line 2a was:

- 1 – complete only column (a).
- 2 – complete only column (a) and column (b).
- 3 – complete only column (a) through column (c).
- 4 – complete all columns.

Line 1 – Enter the amount of your accumulation distribution.

Line 2a – Do not enter a number greater than 4. If the total accumulation years is greater than 4, do not complete this section, go to Section A.

Line 4 – Enter the amount from line 4 on Schedule CA (540 or 540NR), line 21f, column C. This is the amount to be included in the current year. The balance of this schedule will be used to compute the tax on the portion of the distribution attributable to prior years.

Line 5 – Enter “Yes” in each column for the years that you were either a California resident or part-year resident. Enter “No” for the years that you were a nonresident.

Line 6 – Enter your taxable income from years 1993 through 1996. Use the taxable income as originally reported, amended or as changed by the FTB.

Line 9 – Compute the tax (not including any alternative minimum tax) on the income on line 8 using the tax rates in effect for the earlier year shown in each of the four columns. See Part II, Section A, line 7 instructions.

Line 10 – Enter your tax (not including any alternative minimum tax) as originally reported, or amended or as changed by the FTB before reduction for any credits for the particular earlier year shown in each of the four columns.

Line 12 – Include on line 12 only the net change in nonrefundable credits such as exemption credit, etc. For example, to the extent the tax on line 10 is less than the allowable exemption credit, only the excess exemption credit is included on line 12.

Line 13 – If the net change results in a decrease in allowable credits, add line 11 and line 12.

Line 14 – Complete and attach a separate Schedule P (100, 540, 540NR or 541) to recompute the alternative minimum tax for each earlier year and show any change in those taxes in the bottom margin of the forms. Enter the adjustments on line 14.

Line 16 – Add line 15, column (a) through column (d), for all years that you entered “Yes” on line 5. Do not include any amounts for any year that you entered “No.”

Individuals – Enter the amount from line 16 on Form 540, line 23; or Form 540NR, line 26. Check the “FTB 5870A” box on the applicable line of each form.

Estates and trusts – Enter the amount from line 16 on Form 541, line 21b. Write “FTB 5870A” on that line.

Other filers – Add the amount on line 16 to the total tax liability before credits on your tax return for the year of the accumulation distribution. Attach form FTB 5870A to the back of your return.

General Toll-Free Phone Service

Our general toll-free telephone service is available from 7:00 a.m. until 8:00 p.m. Monday through Friday from January 2 through April 15, 1998. The best times to call are between 7:00 a.m. and 10:00 a.m. and between 6:00 p.m. and 8:00 p.m. Service is also available on Saturday, April 4 and April 11, from 8:00 a.m. until 5:00 p.m. After April 15, service is available Monday through Friday from 8:00 a.m. and 5:00 p.m.

From within the United

States 1-800-852-5711

From outside the United

States 1-916-845-6500
(not toll-free)

For hearing impaired

with TDD 1-800-822-6268

For federal tax questions, call the IRS at
1-800-829-1040.